



Print Form

**FOR CLERK USE ONLY**

City Council

Item No. 13

**CITY COUNCIL AGENDA  
FACT SHEET**

City Manager \_\_\_\_\_

Department \_\_\_\_\_

April 20, 2010

Requested Date

**1. Request:**

Council Approval ☒

Other (specify) ☐

Information Only/  
Presentation ☐

Hearing ☒

**2. Requested Action:**

PUBLIC HEARING FOR APPROVAL OF SALE OF REAL PROPERTY BY  
THE AGENCY TO CALEXICO M.O.B. LLC AND MAKING FINDINGS IN CONFORMANCE WITH HEALTH  
AND SAFETY CODE SECTION 33433

**3. Fiscal Impact:**

Revenue:

Increase ☐

Decrease ☐

Cost:

Increase ☒

Decrease ☐

Does Not Apply ☐

Source: \_\_\_\_\_

Amount: \$ \_\_\_\_\_

Source: \_\_\_\_\_

Amount: \_\_\_\_\_

RDA tax increment/RDA fund

\$540K purchase price/option

**4. Reviewed By:**

Finance Dept. on \_\_\_\_\_

By: \_\_\_\_\_

Comments: \_\_\_\_\_

City Attorney on \_\_\_\_\_

Apr 13, 2010

By: \_\_\_\_\_

Comments: \_\_\_\_\_

*Note: Back up must be submitted along with this form. Deadline is 5:00 p.m., 2 Fridays before the scheduled meeting date.*

**CLERK USE ONLY:**

CITY COUNCIL DATE: \_\_\_\_\_

Action ☐

Consent ☐

Hearing ☐

Filing ☐

Presentation ☐

Other(specify) \_\_\_\_\_

Reviewed by: City Clerk \_\_\_\_\_

Date \_\_\_\_\_

City Manager \_\_\_\_\_

Date \_\_\_\_\_

## **CITY COUNCIL AGENDA REPORT**

**SUBJECT: PUBLIC HEARING FOR APPROVAL OF SALE OF REAL PROPERTY BY THE AGENCY TO CALEXICO M.O.B. LLC VIA DISPOSITION AND DEVELOPMENT AGREEMENT TO DEVELOP A NEW MEDICAL FACILITY AND MAKING FINDINGS IN CONFORMANCE WITH HEALTH AND SAFETY CODE SECTION 33433 FOR THE SALE OF THE COMMUNITY REDEVELOPMENT AGENCY PROPERTY IN FURTHERANCE OF THE AGREEMENT.**

**AGENDA DATE:** April 20, 2010

**PREPARED BY:** Victor Carrillo, Executive Director

**APPROVED FOR AGENDA BY:** Victor Carrillo, City Manager

**RECOMMENDATION:** Hold public hearing and receive input. Adopt Resolution to approve sale and make findings in conformance with Health and Safety Code section 33433.

**FISCAL IMPACT:** The property is currently owned by the RDA. The RDA will receive \$540,000 for the purchase of this parcel which is the appraised value. The RDA consultant predicts that this project will not create a net loss to the RDA and will increase tax increment revenue to the RDA.

**ENVIRONMENTAL REVIEW:** This proposed land transfer is exempt from CEQA pursuant to Section 15332 "In-Fill Development Projects" because it is consistent with the applicable General Plan and Zoning designations, the development is less than 5 acres in size, and is substantially surrounded by urban uses.

**BACKGROUND:** The RDA has owned the land underlying the movie theater at 2441 Scaroni Avenue since August 2008. In October 2007, the RDA purchased the movie theater building. The RDA then did an RFP to receive development proposals for the site. Pacific Media Properties dba Calexico Medical Office Building LLC was one of the parties who submitted a development proposal. The RDA decided that it would prefer to split the parcel at 2441 Scaroni into 3 legal parcels. The parcel split has been approved and the final map will be recorded soon. The RDA entered into an exclusive negotiating agreement with Pacific Media Properties dba Calexico Medical Office Building LLC to purchase PARCEL 1 on Parcel Map No. 059-010-042 that resulted from the parcel split. The RDA reached a tentative agreement regarding the price and terms of the DDA several months ago and therefore, the DDA that is before the City and the Agency Board for approval evidences that proposed agreement.

**DISCUSSION (Current consideration):**

The matter that is now before the Council consists of a land transfer arrangement in which the RDA agrees to sell Parcel 1 to Calexico M.O.B. LLC for \$540,000 in exchange for Calexico M.O.B. agreeing to develop and use the site as a medical facility. An update to the original appraisal was done and as of April 9, 2010, the appraised value was set at \$540,000. Since the

parcel to be sold to Calexico M.O.B. is currently in use solely as a parking lot and is under-utilized, this proposed project will eliminate blight and create new opportunities for the citizens of Calexico. The movie theaters have experienced low attendance in the last several years, and the RDA needs to assist in this development to eliminate blight

Under Government Code section 65402, prior to the RDA selling or acquiring any land, the "location, purpose and extent" of a land acquisition or sale must be reported to the Planning Commission, and the Planning Commission must issue a resolution as to the conformity of the sale/acquisition with the General Plan. The Planning Commission has approved a resolution finding that this proposed land transfer agreement was in conformity with the General Plan.

The development of the site requires Site Plan Review and Approval pursuant to Section 17.01.710 of the Calexico Municipal Code (CMC). Calexico M.O.B. has already submitted the appropriate application to develop this land as a medical office facility so that as soon as escrow closes on this DDA, Calexico M.O.B. will be able to proceed with the development of this project. The development at the site does require a Reciprocal Parking and Access Agreement between Calexico M.O.B., LLC, the Community Redevelopment Agency of the City of Calexico, and Metropolitan Theatres Corporation. The parking agreement was approved by the City Council On March 30, 2010. However, the final execution of the parking agreement is a condition precedent to the close of escrow.

Further, since the entire site at 2441 Scaroni Avenue was previously leased to Metropolitan Theatres Corporation, the Fourth Amendment to Lease by and between the Community Redevelopment Agency of the City of Calexico and the Metropolitan Theatres Corporation needs to be executed before the close of escrow on this DDA to reduce the amount of land that is leased to MTC. The Fourth Amendment was approved by the Agency Board on 3/30/10.

Under Health and Safety Code section 33433, prior to the RDA selling any land acquired in whole or in part, directly or indirectly, with a portion of taxes allocated and paid to it pursuant to subdivision (b) of Section 33670 of the California Community Redevelopment Law, the RDA must prepare a report for the Council's review for certain findings by the Council. The report was prepared by Urban Futures for the RDA and made available for review as required by Health and Safety Code section 33433. Such report is attached hereto and contains the necessary information to allow Council to make the requisite findings.

**STAFF'S RECOMMENDATION:**

Hold the duly noticed public hearing and consider staff and public input. Staff is recommending approval of this item because the land transfer will benefit the City and the Agency, specifically to implement the Redevelopment Plan to eliminate blight in the Redevelopment Project, increase employment opportunities within the Redevelopment Project, and to generate additional property taxes with which the community can assist in providing an environment for the social, economic and psychological growth and well-being of the citizens of the City.

**ATTACHMENTS**

Exhibit A – HS 33433 Report  
Resolution



Finance • Redevelopment • Implementation • Planning • Bond Administration • Continuing Disclosure

**INFORMATION SUMMARY  
FOR PROPOSED  
DISPOSITION AND DEVELOPMENT AGREEMENT  
WITH  
CALEXICO M.O.B., LLC., A CALIFORNIA LIMITED LIABILITY COMPANY  
"33433 REPORT"**

This summary was prepared for the Community Redevelopment Agency of the City of Calexico (the "Agency") pursuant to Section 33433 of the California Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code, the "CCRL") with respect to the Disposition and Development Agreement (the "DDA") between the Agency and Calexico M.O.B., LLC., a California limited liability company (the "Developer"). The DDA pertains to the development of a two-story medical office building of approximately 25,000 square feet of gross building area (the "Project") on an approximately 53,578 square foot parcel (i.e., approximately 1.23 acres of land) located at 2441 Scaroni Road near the northwest corner of Scaroni and Cole Roads (the "Site") within the Merged Central Business District and Residential Redevelopment Project Area (the "Redevelopment Project" or "Redevelopment Project Area"). The Site is also described as Parcel 1 of Tentative Parcel Map No. 059-010-042.

**1. Cost of Project to Agency:**

The overall Project will not produce a net cost to the Agency. On the contrary, Urban Futures, Inc. projects that the Agency's overall gross proceeds from the sale of the Site will exceed the costs of acquisition by approximately \$279,050. In other words, the sale of the Site will produce a surplus to the Agency. This conclusion is based upon the following data:

- a. **Land Acquisition Cost:** On July 7, 1997, the Agency acquired approximately 4.86 acres of vacant land (approximately 211,702 square feet)(the "Acquisition Property") for \$1,028,100 or approximately \$4.86 per square foot. The Site constitutes a portion of the Acquisition Property. Acquisition-related closing costs were approximately \$720. Further, as a part of its due diligence, the Agency has estimated that it paid G. S. Lyon, Inc. \$2,200 to prepare a phase 1 environmental assessment for the Acquisition Parcel. Therefore, in total, the Agency has incurred approximately \$1,031,020 of costs related to purchasing the Acquisition Property. The Site consists of approximately 25.31% of the Acquisition Property. Therefore, on a prorated basis the Agency has

incurred approximately \$260,951.16 (rounded to \$260,950) of costs reasonably related to acquiring the Site. On a square foot basis, this equals \$4.87.

- b. **Clearance Costs:** None.
- c. **Relocation Costs:** None.
- d. **Improvement Costs:** None.
- e. **Finance Costs:** None.
- f. **Other Costs:** None
- g. **Offsetting Revenue:** The sum of the above costs (i.e., items "a" through "f") is \$260,950, which represents the Agency's current total investment in the Site. These costs are offset by the \$540,000 in gross revenue, which represents the sales price of the Site. The gross surplus is therefore, \$279,050 (i.e., \$540,000 less \$260,950 = \$279,050).

**2. Estimated value of interest to be conveyed or leased, determined at highest and best use permitted by the Redevelopment Plan:**

In order to assist in determining the estimated value of the interest to be conveyed, staff engaged the services of McNamara & Associates (prepared by Neal E. Anderson, MAI)("Appraiser") as an expert, third party real estate appraiser. On April 9, 2010, the Appraiser completed its real estate appraisal for the Site. The appraisal is on file with the Agency. Pursuant to the appraisal, it is the Appraiser's opinion that the estimated "as is" value of the Site equals a total of \$540,000 or \$10.08 on a square foot basis.

**3. Estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants and development costs required by the sale or lease:**

Pursuant to the DDA, the Developer will purchase the Site for \$540,000 which is equal to its full fair market value as described herein.

**4. The purchase price or sum of the lease payments which the lessor will be required to pay during the term of the lease:**

Pursuant to the DDA, the Developer will purchase the Site for \$540,000 which is equal to its full fair market value as described herein.

**5. Explanation of the reason (if applicable) why the sales price or lease rate paid to the Agency may be less than market value of the property as determined at its highest and best use:**

Not applicable. Pursuant to the DDA, the Developer will purchase the Site for \$540,000 which is equal to its full fair market value as described herein.

**6. Explanation of why the sale or lease of the property will assist in the elimination of blight:**

The Project is part of a larger comprehensive effort by the Agency that is designed in part to eliminate blight in Calexico's Redevelopment Project Area. During March 1999, pursuant to that certain lease agreement between the Agency and Oliphant & Williams dated May 19, 1997, the Acquisition Property (which includes the Site) has been used for the operation of a multi-screen cinema and its parking area. The proposed DDA will facilitate the development of a two-story medical office building of approximately 25,000 square feet of gross building area. Per the DDA, the Project is estimated to create at least 25 new employment opportunities. For this type of development, Urban Futures, Inc. estimates that approximately one job will be created per 1,000 square feet of gross building area. Therefore, the employment creation estimate included within the DDA is reasonable. The Site is currently underutilized. The effect of the Project is to enable the Site to be developed to its highest and best use pursuant to the provisions of the Redevelopment Project and the Calexico General Plan. The Project will facilitate private investment, business opportunities, job creation and the creation of new tax ratables, which will directly benefit the City's ability to finance the costs of providing essential services to the community as a whole and the Redevelopment Project Area in particular. These tangible economic and social benefits will significantly contribute to the elimination of blight that exists within the Calexico Redevelopment Project Area.


**7. Economic benefits of the Project:**

At a conservative value of \$200 per square foot of finished building area, the completed Project is anticipated to add approximately \$5 million-worth of new assessed value to the Redevelopment Project. Based on this additional assessed value estimate, it is anticipated that the Project will generate approximately \$50,000 of additional gross tax increment (i.e., prior to tax sharing) revenue during its first taxable year. Utilizing a 2% per year growth factor, over its first ten years it is anticipated that the Project will generate approximately \$547,000 of gross tax increment revenue. Inclusive of the Low- to Moderate-Income Housing Fund, the Agency currently receives approximately 90% of the gross tax increment revenue. With respect to the current illustration, the Project could

generate over \$492,000 of net tax increment revenues to the Agency over its first ten years of operation. These additional tax increment revenues will assist the Agency in removing blight within the Calexico Redevelopment Area as well as promoting economic development, job creation and affordable housing projects and programs.

**Certification:** I certify that this report complies with the reporting requirements of Section 33433 of the CCRL. Further, I do not have a present or perspective interest in the Site, the Project or the parties to the DDA. My engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the Agency, reports provided by its consultants or as otherwise noted herein. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to the DDA change after the date provided below, then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.

Respectfully Submitted,  
URBAN FUTURES, INC.

A handwritten signature in black ink, appearing to read 'Steven H. Dukett', with a stylized flourish at the end.

STEVEN H. DUKETT  
Managing Principal

Dated: April 12, 2010

**RESOLUTION NO. 2010-\_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF CALEXICO AUTHORIZING THE SALE OF REAL PROPERTY BY THE  
AGENCY TO CALEXICO M.O.B. LLC TO DEVELOP A NEW MEDICAL FACILITY  
AND MAKING FINDINGS IN CONFORMANCE WITH HEALTH AND SAFETY CODE  
SECTION 33433 FOR THE SALE OF THE COMMUNITY REDEVELOPMENT  
AGENCY PROPERTY IN FURTHERANCE OF THE AGREEMENT.**

**WHEREAS**, Health and Safety Code section 33430 allows the Community Redevelopment Agency of the City of Calexico ("Agency") to dispose of real property by sale; and

**WHEREAS**, the Agency currently owns parcel 1 at 2441 Scaroni Road, APN 059-010-042, "Parcel 1" and now intends to sell it to Calexico M.O.B. via a Disposition and Development Agreement ("DDA"); and

**WHEREAS**, conditions of the DDA require that Calexico M.O.B. develop the property as a medical facility; and

**WHEREAS**, the purchase price of Parcel 1 is the appraised value of the property and therefore this proposed DDA is consistent with State law; and

**WHEREAS**, the Planning Commission has approved a resolution finding that the proposed land transfer arrangement is in conformity with the General Plan; and

**WHEREAS**, the land transfer is for the common benefit of the citizens of the City of Calexico because the development of the project will implement the Redevelopment Plan to eliminate blight in the Redevelopment Project, will increase employment opportunities within the Redevelopment Project, and will generate additional property taxes with which the community can assist in providing an environment for the social, economic and psychological growth and well-being of the citizens of the City; and

**WHEREAS**, the City Council has reviewed the report prepared by the Community Redevelopment Agency pursuant to Health and Safety Code section 33433; and

**WHEREAS**, the City Council held a noticed public hearing on April 20, 2010, in accordance with Health and Safety Code section 33433; and



**WHEREAS**, the City Council now wishes to approve the land transfer and the DDA and make the required findings.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CALEXICO AS FOLLOWS:**

**SECTION 1.** The City Council finds that the above-listed recitals are true and correct.

**SECTION 2.** The City Council hereby approves the DDA between the Agency and Callexico M.O.B., LLC and the sale of Agency property because it is in the best interests of the City and community.

**SECTION 3.** The Council directs staff to take all necessary steps to implement the DDA.

**SECTION 4.** The Council finds that the sale of Parcel 1 by the RDA, in accordance with the DDA, will assist in the elimination of blight, is consistent with the Implementation Plan adopted by the Agency, and the consideration is not less than the fair market value at its highest and best use in accordance with the plan.

**PASSED, ADOPTED, AND APPROVED** by the City Council of the City of Callexico at a meeting this 20th day of April, 2010.

\_\_\_\_\_  
David B. Ouzan, Mayor

ATTEST:

\_\_\_\_\_  
LOURDES CORDOVA, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
JENNIFER M. LYON, City Attorney

STATE OF CALIFORNIA    )  
CITY OF CALEXICO        )  
COUNTY OF IMPERIAL    )       ss.

I, \_\_\_\_\_, City Clerk of the City of Calexico, do hereby certify under the penalty of perjury, that the foregoing Resolution No. \_\_\_\_\_, was duly adopted by the City Council at a meeting of said City Council held on the 20th day of April, 2010, and that it was so adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
LOURDES CORDOVA, City Clerk  
City of Calexico